

NRA CIVIL RIGHTS DEFENSE FUND

FINANCIAL STATEMENTS

as of December 31, 2018 and 2017

AND

REPORT THEREON

NRA CIVIL RIGHTS DEFENSE FUND

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Report of Independent Auditors

RSM US LLP

To the Board of Trustees, NRA Civil Rights Defense Fund

Report on the Financial Statements

We have audited the accompanying financial statements of NRA Civil Rights Defense Fund (the Fund), which comprise the statements of financial position as of December 31, 2018 and 2017, the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NRA Civil Rights Defense Fund as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As disclosed in Note 1 to the financial statements, the Fund adopted the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. The adoption of this standard resulted in the issuance of the statement of functional expenses and additional footnote disclosures and changes to the classification of net assets. Our opinion is not modified with respect to this matter.

RSM US LLP

McLean, Virginia
March 13, 2019

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NRA CIVIL RIGHTS DEFENSE FUND
STATEMENTS OF FINANCIAL POSITION
as of December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash	\$ 600,423	\$ 1,572,772
Investments	3,692,026	3,885,143
Pledges and contributions receivable, net	59,368	80,230
Due from affiliates	2,558,868	574,098
Other assets	107,757	91,209
Split interest agreements	<u>658,516</u>	<u>732,418</u>
Total assets	<u>\$ 7,676,958</u>	<u>\$ 6,935,870</u>
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 55,300	\$ 43,960
Annuities payable	<u>151,367</u>	<u>163,010</u>
Total liabilities	<u>206,667</u>	<u>206,970</u>
Net assets:		
Without donor-restrictions	3,213,462	3,436,839
With donor-restrictions	<u>4,256,829</u>	<u>3,292,061</u>
Total net assets	<u>7,470,291</u>	<u>6,728,900</u>
Total liabilities and net assets	<u>\$ 7,676,958</u>	<u>\$ 6,935,870</u>

The accompanying notes are an integral part of these financial statements.

**NRA CIVIL RIGHTS DEFENSE FUND
STATEMENTS OF ACTIVITIES**

for the years ended December 31, 2018 and 2017

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND OTHER SUPPORT:						
Contributions	\$ 687,643	\$ 1,273,418	\$ 1,961,061	\$ 565,722	\$ 89,603	\$ 655,325
Net investment (loss) income	(255,489)	(95,859)	(351,348)	414,654	232,532	647,186
Change in value of split interest agreements	-	(73,902)	(73,902)	-	78,262	78,262
Net assets released from restrictions	138,889	(138,889)	-	175,610	(175,610)	-
Total revenue and other support	571,043	964,768	1,535,811	1,155,986	224,787	1,380,773
EXPENSES:						
Program	727,932	-	727,932	1,332,859	-	1,332,859
Administrative	63,403	-	63,403	78,078	-	78,078
Fundraising	3,085	-	3,085	1,105	-	1,105
Total expenses	794,420	-	794,420	1,412,042	-	1,412,042
CHANGE IN NET ASSETS	(223,377)	964,768	741,391	(256,056)	224,787	(31,269)
NET ASSETS:						
Beginning of year	3,436,839	3,292,061	6,728,900	3,692,895	3,067,274	6,760,169
End of year	\$ 3,213,462	\$ 4,256,829	\$ 7,470,291	\$ 3,436,839	\$ 3,292,061	\$ 6,728,900

The accompanying notes are an integral part of these financial statements.

NRA CIVIL RIGHTS DEFENSE FUND
STATEMENTS OF FUNCTIONAL EXPENSES
for the years ended December 31, 2018 and 2017

	2018				2017			
	Program	Administrative	Fundraising	Total	Program	Administrative	Fundraising	Total
Grants and assistance	\$ 717,932	\$ -	-	\$ 717,932	\$ 1,322,859	\$ -	-	\$ 1,322,859
Legal, audit and filing fees	10,000	18,411	-	28,411	10,000	24,622	-	34,622
Printing and publications	-	18,003	-	18,003	-	26,456	1,099	27,555
Information technology	-	10,000	5	10,005	-	10,000	6	10,006
Office supplies	-	3,735	1,829	5,564	-	6,024	-	6,024
Bank fees and services	-	4,234	-	4,234	-	5,153	-	5,153
Meetings	-	6,106	-	6,106	-	4,156	-	4,156
Other	-	2,914	1,251	4,165	-	1,667	-	1,667
	<u>\$ 727,932</u>	<u>\$ 63,403</u>	<u>\$ 3,085</u>	<u>\$ 794,420</u>	<u>\$ 1,332,859</u>	<u>\$ 78,078</u>	<u>\$ 1,105</u>	<u>\$ 1,412,042</u>

The accompanying notes are an integral part of these financial statements.

NRA CIVIL RIGHTS DEFENSE FUND
STATEMENTS OF CASH FLOWS
for the years ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 741,391	\$ (31,269)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Decrease in provision for losses on pledges receivable	-	(2,000)
Net increase in investment in endowment	(16,976)	(13,615)
Net unrealized loss (gain) on investments	585,947	(510,207)
Net realized gain on investments	(88,760)	(28,934)
Decrease (increase) in value of split interest agreements	73,902	(78,262)
Changes in operating assets and liabilities:		
Decrease in pledges and contributions receivable	20,862	184,339
(Increase) decrease in amounts due from affiliates	(1,984,770)	865,671
Increase in other assets	(16,548)	(9,853)
Increase (decrease) in accounts payable	<u>11,340</u>	<u>(87,189)</u>
Net cash (used in) provided by operating activities	<u>(673,612)</u>	<u>288,681</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(1,464,150)	(159,568)
Proceeds from sales of investments	<u>1,160,080</u>	<u>181,884</u>
Net cash (used in) provided by investing activities	<u>(304,070)</u>	<u>22,316</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from contributions restricted for:		
Investment in endowment	16,976	13,615
Payments on annuity obligations	<u>(11,643)</u>	<u>(7,635)</u>
Net cash provided by financing activities	<u>5,333</u>	<u>5,980</u>
NET (DECREASE) INCREASE IN CASH	(972,349)	316,977
CASH:		
Beginning of year	<u>1,572,772</u>	<u>1,255,795</u>
End of year	<u><u>\$ 600,423</u></u>	<u><u>\$ 1,572,772</u></u>

The accompanying notes are an integral part of these financial statements.

NRA CIVIL RIGHTS DEFENSE FUND NOTES TO FINANCIAL STATEMENTS

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

NRA Civil Rights Defense Fund (the "Fund") was organized on July 22, 1978, as a nonprofit organization to voluntarily assist in the preservation and defense of the human, civil, and/or constitutional rights of the individual to keep and bear arms in a free society. The Fund receives the majority of its operating funds from general contributions.

Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Classification of Net Assets

To identify the observance of limitations and restrictions placed on the use of the resources available to the Fund, the accounts of the Fund are maintained in two separate classes of net assets: without donor-restrictions, and with donor-restrictions, based on the existence or absence of donor-imposed restrictions.

Net assets without donor-restrictions represent resources that are not restricted by donor-imposed stipulations. They are available for support of the Fund's general operations.

Net assets with donor-restrictions represent contributions and other inflows of assets whose use by the Fund for its programs are limited by donor-imposed stipulations. Some of these restrictions are temporary in that they either expire by passage of time or can be fulfilled and removed by actions of the Fund pursuant to those stipulations. Other donor-restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Concentration of Credit Risk

The Fund maintains its cash accounts in one commercial bank located in the Washington, DC, metropolitan area. During the normal course of business, the Fund may have funds on deposit exceeding the insurance limits of the Federal Deposit Insurance Corporation. The Fund's policy is to deposit these funds in only financially sound institutions. Nevertheless, these deposits are subject to some degree of credit risk, although the Fund has not experienced any such losses.

The Fund invests in a professionally managed portfolio that primarily contains money market funds, equity securities, and fixed income securities. Such investments are exposed to various risks, such as market and credit. Due to the level of risk associated with such investments, and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risk in the near term would materially affect investment balances and the amounts reported in the financial statements.

Investments

Investments consist primarily of money market funds, equity securities, and fixed income securities which are carried at fair value, as determined by an independent market valuation service using the closing prices at the end of the period. In calculating realized gains and losses, the cost of securities sold is determined by the specific-identification method. To adjust the carrying value of the investments to their fair value, the change in fair value is included in revenue and other support in the statements of activities.

NRA CIVIL RIGHTS DEFENSE FUND NOTES TO FINANCIAL STATEMENTS

Pledges and Contributions Receivable

Unconditional pledges and contributions receivable consist of irrevocable and measurable bequest proceeds due to the Fund and donor promises to give in future periods, over a period of one to five years. An allowance for uncollectible pledges and contributions receivable is provided based upon management's judgment of potential defaults.

Split Interest Agreements

The Fund is the beneficiary under two charitable remainder unitrust agreements held by a third party. Under the terms of the agreements, the Fund has the irrevocable right to receive a portion of the remaining trust assets upon expiration of the trusts. Split interest agreements are recorded as an asset based on the actuarially computed fair value and adjusted as of the end of each year. The difference between the amount received for the agreement and its actuarially computed value at each year end is recorded as changes in present value of split interest agreement. The receivable from the trusts has been recorded at the present value of estimated cash flows. The discount rate applied ranged from 2.59% to 2.69% for the year ended December 31, 2018 and 2.33% to 2.4% for the year ended December 31, 2017, and incorporated future life expectancies of 7 and 11 for the year ended December 31, 2018 and 8 and 12 for the year ended December 31, 2017.

Annuities Payable

Donors have established and funded gift annuity contracts. Under terms of the contracts, the Fund has the irrevocable right to receive the remaining contract assets upon termination of the contract. Amounts payable under annuity contracts are recorded as a liability based on the actuarially computed value at the time of gift. The difference between the amount received for the contract and its actuarially computed liability is recorded as revenue. For both the years ended December 31, 2018 and December 31, 2017 the discount rate applied ranged from 1.4% to 3.2%.

Outstanding Legacies

The Fund is the beneficiary under various wills and trust agreements, the total realizable amounts of which are not presently determinable. The Fund's share of such amounts is not recorded until the Fund has an irrevocable right to the bequest and the proceeds are measurable.

Revenue Recognition

Unconditional contributions, whether without donor-restrictions or with donor-restrictions, are recognized as revenue upon notification of the gift or pledge and classified in the appropriate net asset category. When the restrictions specified by the donor are met by the Fund, donor-restricted contributions are released from net assets with donor-restrictions and are recognized in the net assets without donor-restrictions.

Tax Status

The Fund is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from state income taxes. In addition, the Fund is not classified as a private foundation.

The Fund follows the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Fund may recognize the tax benefit from an uncertain tax position only if it is more-likely-than-not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods.

NRA CIVIL RIGHTS DEFENSE FUND

NOTES TO FINANCIAL STATEMENTS

Management evaluated the Fund's tax positions and concluded that the Fund had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

Functional Allocation of Expenses

The costs of providing program services and supporting activities have been accounted for on a functional basis in the statements of activities. All costs are recorded directly, with no further allocations between program services and supporting activities.

Adopted Accounting Pronouncements

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this ASU make improvements to the information provided in the financial statements and the accompanying notes of not-for-profit entities. The amendments set forth the FASB's improvements to net asset classification requirements and the information presented about a not-for-profit entity's liquidity, financial performance and cash flows. The ASU was adopted by the Fund beginning 2018.

Subsequent Events

The Fund evaluated subsequent events through March 13, 2019, which is the date the financial statements were available to be issued.

2. AVAILABILITY AND LIQUIDITY

The Fund maintains a policy of structuring its financial assets to be available as its general operating expenses come due. This includes the appropriation of income from donor restricted endowments and contributions, in satisfaction of those restrictions.

The table below represents the Fund's financial assets available to meet general expenditures within one year as of December 31, 2018 and 2017:

Financial assets at year-end:	2018	2017
Cash and cash equivalents	\$ 600,423	\$ 1,572,772
Investments	3,692,026	3,885,143
Pledges and contributions receivable, net	57,368	77,355
Due from affiliates	-	4,007
Total financial assets	<u>4,349,817</u>	<u>5,539,277</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	<u>727,576</u>	<u>692,408</u>
Financial assets not available to be used within one year	<u>727,576</u>	<u>692,408</u>
Financial assets available to meet general expenditures within one year	<u>\$ 3,622,241</u>	<u>\$ 4,846,869</u>

**NRA CIVIL RIGHTS DEFENSE FUND
NOTES TO FINANCIAL STATEMENTS**

3. INVESTMENTS

Investments, at fair value, as of December 31, 2018 and 2017 consisted of the following:

	2018	2017
Money market	\$ 111,424	\$ 176,998
Equity securities	1,917,964	2,334,961
Fixed income securities	1,662,638	1,373,184
Total	<u>\$ 3,692,026</u>	<u>\$ 3,885,143</u>

Investment (loss) income is composed of the following:

	2018	2017
Interest/dividend income	\$ 145,839	\$ 108,045
Net realized gain on investments	88,760	28,934
Net unrealized (loss) gain on investments	(585,947)	510,207
Total	<u>\$ (351,348)</u>	<u>\$ 647,186</u>

4. PLEDGES AND CONTRIBUTIONS RECEIVABLE

At December 31, 2018 and 2017, donors to the Fund have unconditionally promised to give amounts as follows:

	2018	2017
Within one year	\$ 57,368	\$ 79,230
One to five years	2,000	3,000
	59,368	82,230
Less: allowance on pledges receivable	-	(2,000)
Total	<u>\$ 59,368</u>	<u>\$ 80,230</u>

Proceeds bequeathed and due to the Fund in the amount of \$0 and \$42,200 were included in contributions receivable at December 31, 2018 and 2017, respectively.

5. COMMITMENTS

Awards to reimburse legal costs in association with the Fund's mission are committed upon action of the Board, and subsequently become a program expense and a liability once legal work has been performed. At December 31, 2018 and 2017, \$500,723 and \$314,764 have been committed, respectively. Legal costs incurred on Board approved actions, and included in accounts payable at December 31, 2018 and 2017 were \$51,500 and \$40,160, respectively. Included in due from affiliates at December 31, 2018 and 2017 were \$0 and \$1,026,943, respectively, see Note 8.

**NRA CIVIL RIGHTS DEFENSE FUND
NOTES TO FINANCIAL STATEMENTS**

6. FAIR VALUE MEASUREMENTS

The Fund follows the Codification topic, *Fair Value Measurement*, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and sets out a fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy are described below:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. The type of investments included in Level 1 include listed equities and listed derivatives.

Level 2: Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly; and fair value is determined through the use of models or other valuation methodologies.

Level 3: Inputs are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Fund's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment.

In determining the appropriate levels, the Fund performs a detailed analysis of the assets and liabilities that are subject to topic *Fair Value Measurement*. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

The estimated fair values of the Fund's short-term financial instruments, including receivables and payables arising in the ordinary course of operations, approximate their individual carrying amounts due to the relatively short period of time between their origination and expected realization.

**NRA CIVIL RIGHTS DEFENSE FUND
NOTES TO FINANCIAL STATEMENTS**

The tables below present the balances of assets measured at fair value on a recurring basis by level within the hierarchy.

	As of December 31, 2018			
	Total	Level 1	Level 2	Level 3
Available-for-sale equity securities:				
Consumer discretionary	\$ 17,183	\$ 17,183	\$ -	\$ -
Consumer staples	24,265	24,265	-	-
Financial services	5,608	5,608	-	-
Healthcare	21,829	21,829	-	-
Industrials	14,050	14,050	-	-
Information technology	46,383	46,383	-	-
Materials	8,398	8,398	-	-
Telecommunication Services	15,323	15,323	-	-
Multi-strategy mutual funds	<u>1,764,925</u>	<u>1,764,925</u>	<u>-</u>	<u>-</u>
Total available-for-sale equity securities	<u>1,917,964</u>	<u>1,917,964</u>	<u>-</u>	<u>-</u>
Available-for-sale fixed income securities:				
U.S. Treasury security funds	466,691	466,691	-	-
Multi-strategy bond funds	<u>1,195,947</u>	<u>1,195,947</u>	<u>-</u>	<u>-</u>
Total available-for-sale fixed income securities:	<u>1,662,638</u>	<u>1,662,638</u>	<u>-</u>	<u>-</u>
Money market	<u>111,424</u>	<u>111,424</u>	<u>-</u>	<u>-</u>
Split interest agreements	<u>658,516</u>	<u>-</u>	<u>-</u>	<u>658,516</u>
Total	<u>\$ 4,350,542</u>	<u>\$ 3,692,026</u>	<u>\$ -</u>	<u>\$ 658,516</u>

**NRA CIVIL RIGHTS DEFENSE FUND
NOTES TO FINANCIAL STATEMENTS**

	As of December 31, 2017			
	Total	Level 1	Level 2	Level 3
Available-for-sale equity securities:				
Consumer discretionary	\$ 34,765	\$ 34,765	\$ -	\$ -
Consumer staples	29,691	29,691	-	-
Energy	6,320	6,320	-	-
Financial services	8,340	8,340	-	-
Healthcare	32,527	32,527	-	-
Industrials	37,087	37,087	-	-
Information technology	103,195	103,195	-	-
Materials	15,072	15,072	-	-
Telecommunication Services	6,648	6,648	-	-
Multi-strategy mutual funds	2,058,501	2,058,501	-	-
Real estate	2,815	2,815	-	-
Total available-for-sale equity securities	<u>2,334,961</u>	<u>2,334,961</u>	<u>-</u>	<u>-</u>
Available-for-sale fixed income securities:				
U.S. Treasury security funds	600,182	600,182	-	-
Multi-strategy bond funds	<u>773,002</u>	<u>773,002</u>	<u>-</u>	<u>-</u>
Total available-for-sale fixed income securities:	<u>1,373,184</u>	<u>1,373,184</u>	<u>-</u>	<u>-</u>
Money market	<u>176,998</u>	<u>176,998</u>	<u>-</u>	<u>-</u>
Split interest agreements	<u>732,418</u>	<u>-</u>	<u>-</u>	<u>732,418</u>
Total	<u>\$ 4,617,561</u>	<u>\$ 3,885,143</u>	<u>\$ -</u>	<u>\$ 732,418</u>

Money market funds, equity securities and fixed income securities are classified as Level 1 instruments, as they are actively traded on public exchanges.

Split interest agreements are classified as Level 3 instruments, as there is no market for the Fund's interest in the trusts. Further, the Fund's asset is the right to receive cash flows from the trusts, not the assets of the trusts themselves. Although the trust assets may be investments for which quoted prices in an active market are available, the Fund does not control those investments.

For assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3), *Fair Value Measurement* requires reconciliation of the beginning and ending balances, separately for each major category of assets and liabilities, except for derivative assets and liabilities, which may be presented net. The table below represents the reconciliation of the Fund's assets measured at fair value on a recurring basis using significant unobservable inputs:

	2018	2017
Split interest agreements, beginning of year	\$ 732,418	\$ 654,156
Change in value	(73,902)	78,262
Split interest agreements, end of year	<u>\$ 658,516</u>	<u>\$ 732,418</u>

**NRA CIVIL RIGHTS DEFENSE FUND
NOTES TO FINANCIAL STATEMENTS**

7. NET ASSETS WITH DONOR RESTRICTIONS AND ENDOWMENT FUNDS

Net assets with donor-restrictions are restricted as follows:

	2018	2017
Perpetual in nature	\$ 2,766,807	\$ 1,697,425
Program awards	1,180,504	1,101,437
Endowment earnings – general operations	143,330	286,980
Other, including passage of time	166,188	206,219
Total	<u>\$ 4,256,829</u>	<u>\$ 3,292,061</u>

The Fund follows the Codification subtopic *Reporting endowment funds*. The Codification addresses accounting issues related to guidelines in the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA), which was adopted by the National Conferences of Commissioners on Uniform State Laws in July 2006 and enacted in the Commonwealth of Virginia on July 1, 2008. The Management of the Fund has interpreted UPMIFA as requiring the preservation of the fair value of original donor-restricted endowment gifts as of the date of the gift or Board designation absent explicit donor stipulations or Board action to the contrary. As a result of this interpretation, the Fund classifies as net assets with donor-restrictions (a) the original value of cash gifts donated to permanent endowment, (b) the discounted value of future gifts promised to permanent endowment, net of allowance for uncollectible pledges, and (c) the fair value of non-cash gifts received whereby the proceeds of any future sale are donor-restricted to permanent endowment. Board designated endowment funds are classified in net assets without donor-restrictions until utilized by the Fund for the Board designated purpose. In accordance with UPMIFA, the Fund considers the following factors in making a determination to appropriate or accumulate donor-restricted and/or Board designated endowment funds:

- The duration and preservation of the endowment fund
- The purposes of the Fund, donor-restricted endowment and/or Board designated endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Fund
- The investment policies of the Fund

The Fund has adopted investment and spending policies for donor-restricted endowment assets that attempt to provide a predictable stream of funding to the programs supported by the endowment while seeking to maintain purchasing power of the endowment assets. The investment policy of the Fund is to achieve, at a minimum, a real (inflation adjusted) total net return that exceeds spending policy requirements. Investments are diversified both by asset class and within asset classes. The purpose of diversification is to minimize unsystematic risk and to provide reasonable assurance that no single security or class of securities will have a disproportionate impact on the total portfolio. The amount appropriated for expenditure from endowments with donor-restrictions ranges from 1% to 5% of the endowment fund's fair value as of the end of the preceding year, as long as the value of the endowment does not drop below the original contribution(s). The amount appropriated for endowments without donor-restrictions is made in accordance with donor stipulations and Board designations, respectively. The earnings on donor-restricted endowments are reflected as net assets with donor-restrictions until appropriated for expenditure in the form of program spending, generally for the purpose of awarding exemplary activities in support of the Right to Keep and Bear Arms.

**NRA CIVIL RIGHTS DEFENSE FUND
NOTES TO FINANCIAL STATEMENTS**

The changes in endowment net assets for the years ended December 31, 2018 and 2017 are as follows:

Year Ended December 31, 2018			
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 763,646	\$ 2,922,974	\$ 3,686,620
Interest and dividends, net	22,965	60,536	83,501
Net depreciation	(86,300)	(199,267)	(285,567)
Designations and contributions	62,368	1,129,916	1,192,284
Amount appropriated for expenditure	-	(67,359)	(67,359)
Endowment net assets, end of year	<u>\$ 762,679</u>	<u>\$ 3,846,800</u>	<u>\$ 4,609,479</u>

Year Ended December 31, 2017			
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 650,958	\$ 2,701,693	\$ 3,352,651
Interest and dividends, net	14,692	49,802	64,494
Net appreciation	88,582	225,155	313,737
Designations and contributions	9,414	7,103	16,517
Amount appropriated for expenditure	-	(60,779)	(60,779)
Endowment net assets, end of year	<u>\$ 763,646</u>	<u>\$ 2,922,974</u>	<u>\$ 3,686,620</u>

The related assets are included in investments, amounts due from affiliates, and split interest agreements.

8. RELATED PARTIES

The Fund is affiliated with the National Rifle Association of America ("NRA") by virtue of the control vested in the Board of Directors of the NRA to appoint the members of the Board of Trustees of the Fund. The Fund has received certain benefits from this affiliation at no cost, among which are the use of office space and administrative services. Management has determined that the fair value of these benefits is minimal, and accordingly, no amounts are reflected in these financial statements.

The Fund reimburses the NRA for general operating expenses, paid by the NRA on the Fund's behalf. These expenses totaled \$39,341 and \$69,012 for the years ended December 31, 2018 and 2017, respectively.

The Fund made awards to NRA to reimburse qualified legal costs in association with Fund's mission totaling \$433,872 and \$1,076,792 for the years ended December 31, 2018 and 2017, of which \$0 and \$1,026,943 are included in due from affiliates as of December 31, 2018 and 2017, respectively.

The NRA Foundation, Inc., an affiliated entity, maintains certain endowments to benefit the Fund. Additionally, the NRA Foundation, Inc. maintains gift annuities benefiting the Fund.

**NRA CIVIL RIGHTS DEFENSE FUND
NOTES TO FINANCIAL STATEMENTS**

The following amounts were due from (to) affiliates at December 31:

	2018	2017
NRA Foundation, endowment	\$ 2,314,383	\$ 1,330,055
NRA Foundation, gift annuities	234,164	266,847
NRA Foundation, other	13,482	17,929
Total NRA Foundation	2,562,029	1,614,831
NRA, awards	-	(1,026,943)
NRA, other	(3,161)	(13,790)
Total affiliates	\$ 2,558,868	\$ 574,098